

## Message Text

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ACTION EUR-12

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TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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E.O. 11652: N/A; TAGS: EINV, IT

SUBJECT: CONTINUING DIFFICULTIES OF AMERICAN SUBSIDIARIES IN NAPLES

REF: A. NAPLES 665; B. NAPLES 596; C. NAPLES 099

SUMMARY: EFFORT OF RICHARDSON-MERRELL (R-M) PHARMACEUTICALS TO FIRE

371 EMPLOYEES CONTINUES AS FOCAL POINT OF INTEREST AND ACTION AMONG

BELEAGUED AMERICAN SUBSIDIARIES IN NAPLES AREA. R-M WORKERS,

SEEMINGLY LACKING STRONG LEADERSHIP, CONTINUE TO BLOCK SHIPMENTS

FROM VOMERO (NAPLES) PLANT, AND ARE NOW EXPECTED TO OCCUPY MANUFACTU-

RING FACILITIES ABOUT JULY 10. END SUMMARY.

1. R-M LOCAL PRESIDENT HERNANDEZ, DURING SERIES OF RECENT

CONVERSATIONS WITH COMMERCIAL OFFICER, DESCRIBED EVOLVING SITUATION

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IN FIRM'S EFFORTS DISMISS 371 EMPLOYEES AND 10 MANAGEMENT LEVEL

PERSONNEL (2 OF ORIGINAL 12 HAVING RESIGNED). R-M ATTEMPTS TO SHIP

\$2 1/2 MILLION OF FINISHED MERCHANDISE FROM PLANT HAVE BEEN BLOCKED

BY WORKER PICKETING AND SPORADIC STRIKES, WHILE HERNANDEZ' EFFORT

TO OBTAIN JUDICIAL ORDER (AND POLICE SUPPORT) TO EFFECT SHIPMENTS

HAS BEEN FRUSTRATED BY UNION LAWYERS. WORKERS WERE PAID JUNE WAGES

PLUS 14TH MONTH BONUS WITHOUT INCIDENT JUNE 30. SITUATION WITHIN

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PLANT IS TENSE, AND HERNANDEZ HAS PERMITTED A NUMBER OF KEY

MANAGEMENT

PERSONNEL TO LEAVE NAPLES, AFTER THEY WERE THREATENED WITH PHYSICAL VIOLENCE BY WORKERS. NO STRONG LEADERSHIP, HOWEVER, HAS BEEN MANIFESTED AMONG WORKERS, WHO CONTINUE PRIMARILY TO REACT TO COMPANY ACTIONS, RATHER THAN TO TAKE OFFENSIVE EITHER WITHIN MANUFACTURING FACILITIES OR WITH GOVERNMENT AND MEDIA. IT NOW LIKELY, ACCORDING HERNANDEZ, THAT WORKERS WILL OCCUPY PLANTS JULY 10 OR 11, PRIOR TO DISPATCH OF DISMISSAL LETTERS JULY 12.

2. HERNANDEZ MET WITH LABOR MINISTRY OFFICIALS IN ROME, AT THEIR REQUEST, JUNE 24, AND WITH CISL REPRESENTATIVES AT NAPLES INDUSTRIALISTS

UNION, JUNE 25. NEITHER MEETING YIELDED TANGIBLE RESULTS, OWING TO R-M'S INSISTENCE ON FIRINGS AND GOVERNMENT-UNION-FACTORY COUNCIL DEMANDS THAT FIRINGS BE WITHDRAWN. HERNANDEZ EXPECTS TO BE RECALLED

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TO LABOR MINISTRY FOR FURTHER MEETINGS THIS WEEK, AND HAS BEEN CONTACTED PRIVATELY BY THE OFFICE OF MINISTER FOR BUDGET AND THE CASSA PER IL MEZZOGIORNO ANDREOTTI REGARDING A MEETING FOR UNSPECIFIED DISCUSSIONS WITH ANDREOTTI. HERNANDEZ HAS ALSO RECEIVED, VIA WELL

PLACED POLITICAL QUOTE FRIENDS UNQUOTE, OTHER INDICATIONS OF HIGH-LEVEL GOVERNMENT INTEREST IN FINDING A MUTUALLY SATISFACTORY SOLUTION TO R-M'S DIFFICULTIES, BUT THESE HINTS HAVE NOT YET MATERIALIZED IN FORM OF POSITIVE ACTIONS.

3. REGARDING OTHER FIRMS: (A) SPERRY SUD MANAGER ROSSI INFORMS THAT R-M DISMISSAL ACTION HAS ACTED TO REINFORCE POSITION OF HARD-LINERS IN FIRM'S U.S. MANAGEMENT WHO WISH CLOSE NAPLES PLANT, AND AGAIN DELAYED APPROVAL OF NEW MANUFACTURING PROGRAMS; (B) TEXAS INSTRUMENTS GENERAL MANAGER NARDULLI HAS HINTED BROADLY THAT TI MAY HAVE TO DISMISS SOME OF 1200 WORKERS AT FIRM'S CASERTA PLANT, WHERE NUMBER OF EMPLOYEES HAS BEEN UNDER WAGE SUPPLEMENT FUND COVERAGE FOR MONTHS; AND, (C) GENERAL INSTRUMENT VICE-PRESIDENT CORRADETTI HAS INDICATED THAT R-M ACTION WILL ALMOST CERTAINLY SET BACK TIME-TABLE FOR RESUMING PRODUCTION SET FORTH IN REF. B.

4. COMMENT: AS IT HAS FOR MANY MONTHS, THE R-M CASE REMAINS CENTRAL TO DIFFICULTIES OF AMERICAN SUBSIDIARIES HERE, BECAUSE OF FIRM'S

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TRADITIONAL HIGH VISIBILITY AND POLITICAL SENSITIVITY OF ITS RESEARCH ACTIVITIES AND PRODUCT. R-M'S DISMISSAL DECISION HAS HAD IMMEDIATE AND DIRECT EFFECTS UPON SPERRY SUD AND GENERAL INSTRUMENT SITUATIONS, AS NOTED ABOVE. ACTION HAS ALSO GIVEN RISE TO A NEW SERIES OF POLEMICS ON THE PART OF LOCAL OFFICIALS, MEDIA, AND UNIONS, CONCERNING

MULTI-NATIONAL (HERE, SYNONYMOUS WITH AMERICAN) FIRMS, WITH DEMANDS FOR UNDEFINED GUARANTEES TO PREVENT QUOTE RAPE OF THE RICHES OF THE SOUTH UNQUOTE. AND, THE R-M ACTION, IN THE WAKE OF RECENT ELECTIONS, REINFORCES ONCE AGAIN OUR CONCERN REGARDING POTENTIAL POLITICAL IMPLICATIONS AT A MOMENT OF CONTINUING ECONOMIC DIFFICULTY (REF. C).

5. REGARDING R-M SITUATION ITSELF, IT SHOULD BE NOTED THAT HERNANDEZ CONTINUES TO STALL, OR OTHERWISE DILUTE, A SERIES OF HARD-LINE U.S. MANAGEMENT DECISIONS, WHICH COULD HAVE PRODUCED A STRONG REACTION FROM THE WORKERS. HE BROUGHT \$1 MILLION JUNE 30 PAYROLL INTO THE VOMERO PLANT, AGAINST ORDERS, TO CALM AN INCIPIENT PANIC AMONG THE WORKERS. HE HAS DONE ALL POSSIBLE TO PREVENT A SURPRISE OR A VIOLENT CONFRONTATION WITH WORKERS OVER U.S. MANAGEMENT'S STRONG DESIRE TO SHIP VALUABLE INVENTORY FROM VOMERO PLANT. AIDED INADVERTENTLY BY DISORGANIZATION OF THE WORKERS THEMSELVES, HE HAS THUS FAR AVOIDED

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A MAJOR FLARE-UP AT R-M. THE STEPS WHICH HERNANDEZ HAS TAKEN, OFTEN IN CONSULTATION WITH US, MAY HAVE FURTHER DAMAGED HIS CREDIBILITY WITH HIS U.S. MANAGEMENT, WHICH ALREADY SEES HIM AS OVERLY CONCERNED WITH PARTICULAR REQUIREMENTS OF NAPLES ENVIRONMENT. AT SAME TIME, THERE IS NO GUARANTEE THAT HE CAN CONTINUE TO WALK TIGHT ROPE INDEFINITELY, AND A VIOLENT INCIDENT OR CONFRONTATION COULD STILL OCCUR. COLANTONIO

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